

**Rosenberg Financial Group, Inc.**

# LIFE PLANNING SOLUTIONS

## *Permanent Changes to RMD Rules*

Hello Everyone,

We hope you have had a great start to the new year. The fact that Congress made positive changes to the rules on Required Minimum Distributions is definitely a great beginning as far as I am concerned.

In December, Congress passed an appropriations bill that may impact your charitable giving. This law makes it possible to donate IRA Required Minimum Distributions (RMD) directly to charity. This is called a Qualified Charitable Distribution, or QCD. If you're not sure how this works, here's a quick explanation.



If you own an Individual Retirement Account, or IRA, and reach age 70 1/2, you should get notices from companies that hold your IRA accounts, letting you know how much money you must take out. The RMD amount is based on two things, your account value at the end

of the previous year, and your age. The first time you have to take an RMD, you have until April 1 of the following year to take the distribution. From that point forward, you must take an RMD each year. If you are required to take an RMD and do not, there is a 50% IRS penalty.

Many people have to take these distributions and don't need the money. And, these same people also donate to charity. Now, they can contribute the RMD directly to a qualified charity. They will not get a deduction for the contribution, but they will also not have to pay tax on the distribution. As much as \$100,000 can be directly transferred to a qualified charity, and this transfer will satisfy the RMD requirement. Any amount donated over the \$100,000 amount will be taxable. If you want to do this, it is very important that you do not take the distribution in cash, then donate the money. You will owe tax if you do this. This must be a direct transfer.

Before you initiate the transfer, make sure the charity is eligible for this tax treatment, and afterward, ask for acknowledgement for tax purposes. What about donating directly from a 401k or other employer-sponsored retirement plan? This is not allowed, however you could roll money into an IRA, then make the transfer. But, you must be over age 70 1/2.

For those of you who are still working and contributing to IRA's, the IRA contribution limit for 2016 is the same as last year. The maximum amount you can contribute is \$5,500 if you are under age 50, and \$6,500 if you are over age 50.

Source: U.S. News, Retirement, Brandon, Emily

Listen to our Radio program, **Your Money**, on AM940 every Saturday morning from 9-10 am

See Sherri on 13WMAZ's 5:00 News on Wednesday nights.



### In This Issue

- Changes to RMD's
- Backup digital Information
- Cloud Storage
- Do I have to file a tax return?

## Thinking about storing financial documents in the cloud. What should you know?

Cloud storage--using Internet-based service providers to store digital assets such as books, music, videos, photos, and even important documents including financial statements and contracts--has become increasingly popular in recent years. But is it right for you?

Opinions vary on whether to store your most sensitive information in the cloud. While some experts say you should physically store items you're not willing to lose or expose publicly, others contend that high-security cloud options are available.



### If you're thinking about cloud storage for your financial documents, consider the following:

1. Evaluate the provider's reputation. Is the service well known, well tested, and well reviewed by information security experts?
2. Consider the provider's own security and redundancy procedures. Look for such features as two factor authentication and complex password requirements. Does it have copies of your data on servers at multiple geographic locations, so that a disaster in one area won't result in an irretrievable loss of data?
3. Review the provider's service agreement and terms and conditions. Make sure you understand how your data will be protected and what recourse you have in the event of a breach or loss. Also understand what happens when you delete a file--will it be completely removed from all servers? In the event a government subpoena is issued, must the service provider hand over the data?
4. Consider encryption processes, which prevent access to your data without your personal password (including access by people who work for the service provider). Will you be using a browser or app that provides for data encryption during transfer? And once your data is stored on the cloud servers, will it continue to be encrypted?
5. Make sure you have a complex system for creating passwords and never share your passwords with anyone

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## What's the best way to back up my digital information?

In writing or speaking, redundancy is typically not recommended unless you're really trying to drive a point home. When it comes to your digital life, however, redundancy is not only recommended, it's critical.

Redundancy is the term used to refer to data backups. If you have digital assets that you don't want to risk losing forever--including photos, videos, original recordings, financial documents, and other materials--you'll want to be sure to back them up regularly. And it's not just materials on your personal computer, but your mobile devices as well. Depending on how much you use your devices, you may want to back them up as frequently as every few days.



A good rule to follow is the 3-2-1 rule. This rule helps reduce the risk that any one event--such as a fire, theft, or hack--will destroy or compromise both your primary data and all your backups.

Make sure you have a complex system for creating passwords and never share your passwords with anyone.

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1. Have at least three copies of your data. This means a minimum of the original plus two backups. In the world of computer redundancy, more is definitely better.
2. Use at least two different formats. For example, you might have one copy on an external hard drive and another on a flash drive, or one copy on a flash drive and another using a cloud-based service.
3. Ensure that at least one backup copy is stored offsite or in a fireproof safe. You could store your external hard drive in a safe-deposit box or at a trusted friend or family member's house. Cloud storage is also considered offsite.

If a cloud service is one of your backup tactics, be sure to review carefully its policies and procedures for security and backup of its servers. Another good idea is to encrypt (that is, create strong passwords that only you know) to protect sensitive documents and your external drives.

So at the risk of sounding redundant (or driving the point home?), a good rule for data backup is to have at least three copies on at least two different formats, with at least one copy stored offsite.

And more is always better.

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## Do I have to File a Tax Return?

You must file a federal income tax return if your income is above a certain level; which varies depending on your filing status, age and the type of income you receive. Check the Individuals section of the IRS website for specific details that may help you determine if you need to file a tax return with the IRS this year.

The ITA (Interactive Tax Assistant) tool is a tax law resource that takes you through a series of questions and provides you with responses to tax law questions.

- Simply answer the questions and click the "Continue Button" to progress to the next question screen.
- When you reach the response screen, you have the option to print the entire interview and the final response.

The tool is designed for use by taxpayers that were U.S. citizens or resident aliens for the entire tax year for which they are inquiring about.

The ITA tool covers a limited number of topics listed below. If you use the search feature and the requested topic is not covered by the tool, then you may be sent to the IRS.gov [Tax Trails](#) application, which is just another tool to help you obtain the answers you're looking for.

Visit [www.irs.gov](http://www.irs.gov). Type ITA in the convenient search bar to find out more.

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There are several short articles on the IRS web site to help you determine if you need to file a tax return. Below are 7 reasons why you may need to file a tax return.

1. Federal Income Tax Withheld
2. Making Work Pay Credit
3. Earned income Tax credit
4. Additional Child Tax Credit
5. American Opportunity Credit
6. First-Time Homebuyers Credit
7. Health Coverage Tax Credit



We don't have enough space to define each of these, nor are we tax accountants. Complicated situations may require a Certified Public Accountant (CPA) to assist you in completing your tax return and there are many great CPA's in Macon and Warner Robins.

Source: [www.irs.gov](http://www.irs.gov), 2016

## Contact Us

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